

Message Text

CONFIDENTIAL

PAGE 01 BUDAPE 03398 201308Z

42

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 TRSE-00 OMB-01 FCSC-01 PM-04

NSC-05 SP-02 SS-15 L-03 H-02 CIAE-00 INR-07 NSAE-00

EURE-00 PRS-01 COME-00 AGR-05 FRB-03 /069 W

----- 050072

P 201221Z OCT 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC PRIORITY 4476

C O N F I D E N T I A L BUDAPEST 3398

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJ: WORLD WAR I AND THE JOHNSON ACT

REFS: A. BUDAPEST 3063, SEPT 19, 1975

B. BUDAPEST 2917

C. BUDAPEST 3064, SEPT 19, 1975

D. STATE 099936, PARA 6 (APRIL 29, 1975)

1. LASZLO NAGY, FONOFF ACTING DIRECTOR DEPT V, CALLED IN DCM LATE AFTERNOON OCT 16 TO ASK FOR EMBASSY'S ASSISTANCE IN OBTAINING: A) REPLY TO APRIL 1975 GOH REQUEST TO DEPT ON HOW HUNGARY COULD SETTLE ITS WWI DEBT; AND B) LETTER CONFIRMING EARLIER INFORMATION, RECEIVED ORALLY IN WASHINGTON, THAT ONLY WWI DEBT PREVENTS REMOVAL OF JOHNSON ACT RESTRICTIONS. ACTING UNDER INSTRUCTIONS, NAGY MADE ORAL DEMARCHE AND THEN HANDED DCM "INFORMAL AND UNOFFICIAL PIECE OF PAPER CONTAINING MAIN POINTS OF HIS PRESENTATION.

2. FOLLOWING ARE MAIN POINTS: A) USG FAILED TO MENTION STILL OUTSTANDING WWI DEBT DURING CLAIMS SETTLEMENT NEGOTIATIONS IN MARCH 1973; B) SUBSEQUENTLY, USG MAINTAINED IN FORCE JOHNSON ACT OF 1974 PROHIBITING LOANS AS RESULT OF WHICH GOH HAS NO DIRECT ACCESS TO U.S. MONEY MARKET NOR POSSIBILITY TO ISSUE BONDS; C) GOH REPRESENTATIVE (AKAR) CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BUDAPE 03398 201308Z

WAS INFORMED IN WASHINGTON IN APRIL 1975 THAT THERE ARE

NO KNOWN RPT NO KNOWN UNSETTLED CLAIMS BETWEEN U.S. AND HUNGARY BEYOND WWI FLOUR DEBT AND, THAT AFTER SETTLEMENT OF LATTER, JOHNSON ACT WILL NO LONGER BE APPLIED AGAINST HUNGARY; D) FURTHERMORE, DEPT HAD PROMISED TO CONFIRM THIS IN A NOTE, BUT TO DATE NO SUCH CONFIRMATION HAS BEEN RECEIVED; E) GOH UNDERSTANDS USG NEEDED TIME TO TAKE NECESSARY MEASURES, BUT NOTES THAT GOH TOOK INITIATIVE ON THIS ISSUE OVER SIX MONTHS AGO; F) GOH, THEREFORE, OFFICIALLY SEEKS ASSISTANCE OF EMBASSY IN RECEIVING IN SHORTEST POSSIBLE TIME POSITIVE U.S. REPLY, NAMELY, THAT USG HAS NO FURTHER UNSETTLED CLAIMS AGAINST GOH AND THAT, AFTER SETTLEMENT OF WWI DEBT, IT WILL CEASE APPLYING JOHNSON ACT TO HUNGARY.

3. FONOFF HAS NOW RAISED WITH EMBASSY OFFICIALLY AND FORMALLY SUBJECT OF WORLD WAR I DEBT/ARREARAGES ON SALES OF OVERSEAS SURPLUSES, AND JOHNSON ACT, AND IN EXACTLY SAME VEIN AS AKAR BROACHED ISSUE INFORMALLY WITH ECONOFF ONE MONTH AGO (REF A). QUITE CLEARLY, GOH IS DETERMINED TO WIPE BILATERAL FINANCIAL SLATE CLEAN. AKAR HAS SAID SO; FINANCE MINISTER FALUVEGI RAISED MATTER WITH AMBASSADOR ON MAY 30; FALUVEGI RAISED IT AGAIN ON SEPTEMBER 4 (REF B) WITH VP WENTWORTH OF CHASE MANHATTAN ASSERTING THAT SOME (PRESUMABLY HIGH IN HSWP CIRCLES) BELIEVE THAT, DESPITE REPEATED HUNGARIAN STATEMENTS OF WILLINGNESS TO CLEAR ALL ACCOUNTS, USG HAS DECIDED AT VERY HIGH LEVEL FOR REASONS OF ITS OWN TO PRESERVE CERTAIN BARS TO TOTALLY HARMONIOUS RELATIONS SO THAT DECISION ON ST. STEPHAN REGALIA CAN BE INDEFINITELY POSTPONED. RECENTLY VILAGGAZDASAG ON OCTOBER 11 IN ARTICLE, CAPTIONED LIGHT AND SHADOW IN HUNGARIAN-AMERICAN RELATIONSHIP, PRAISED PROGRESS IN ECONOMIC FIELD IN US- HUNGARIAN RELATIONS IN AFTERGLOW OF SECRETARY OF COMMERCE MORTON'S VISIT; BUT IT ALSO OBSERVED "WANGLING OVER FEW QUESTIONS OF MINOR SIGNIFICANCE CONTINUES TO HAMPER NORMALIZATION OF FINANCIAL RELATIONS," AN UNAMBIGUOUS REFERENCE TO LACK OF REPLY TO REPEATED HUNGARIAN REQUESTS FOR RESPONSE TO ITS DEMARCHE OF WWI DEBT AND JOHNSON ACT APPLICABILITY.

4. COMMENT: WE BELIEVE GOH WISHES TO SETTLE ITS OUTSTANDING INDEBTEDNESS TO USG. IT SEEKS ACCESS TO THE U.S. MONEY
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BUDAPE 03398 201308Z

MARKET. WE BELIEVE IT INCREASINGLY LIKELY THAT GOH DESIRE TO SETTLE FINANCIAL ACCOUNTS IS SO INTENSE THAT IT WOULD -- AFTER SOME SCUFFLING -- MAKE 100 PERCENT SETTLEMENT OF WWI FLOUR DEBT AND FULL SETTLEMENT OF SURPLUS PROPERTY ARREARAGES. WE HONESTLY BELIEVE WE SHOULD BE AUTHORIZED TO EXPLORE THIS PROSPECT. SINCE WWI FLOUR DEBT, ARREARAGES IN OVERSEAS SURPLUSES, JOHNSON ACT, AND BLOCKED ACCOUNTS ARE NOW INEXTRICABLY LINKED, WE

SHOULD ENDEAVOR TO DISPOSE OF ALL FOUR ISSUES AS A
SINGLE PACKAGE.
MCAULIFFE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, BLOCKED ASSETS, DIPLOMATIC NOTES, DEBT REPAYMENTS, DEBTS, GOVERNMENT DEBTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUDAPE03398
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750363-0534
From: BUDAPEST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751038/aaaabicc.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BUDAPEST 3063
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by BoyleJA>; APPROVED <10 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WORLD WAR I AND THE JOHNSON ACT
TAGS: EFIN, HU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006